

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4852-01
Bill No.: HB 1451
Subject: Tax Credits
Type: Original
Date: January 27, 2014

Bill Summary: This proposal extends the sunset on the film tax credit for another six years.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
General Revenue	\$0 to (\$4,500,000)	\$0 to (\$4,500,000)	\$0 to (\$4,500,000)
Total Estimated Net Effect on General Revenue Fund	\$0 to (\$4,500,000)	\$0 to (\$4,500,000)	\$0 to (\$4,500,000)

Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2015	FY 2016	FY 2017
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Office of Administration's Division of Budget and Planning (BAP)** assume this proposal would not fiscally impact BAP. This may impact Total State Revenues, as it is an extension of a tax credit that expired on November 28, 2013. BAP assumes this proposal could lower General and Total State Revenues by up to \$4.5 million. However, the amount of annual redemptions may vary.

Officials at the **Department of Economic Development's Division of Tourism (MDT)** assume this proposal provides for the extension of the sunset clause in §135.750, RSMo. The statute sunset on November 28, 2013. This proposal would extend the sunset until November 28, 2020. Extending this sunset will enhance MDT and the Film Commission's ability to promote the state of Missouri to the film industry with the availability of an incentive for qualified film production projects.

MDT assumes the cost of the proposal to range from \$0 to \$4,500,000 per year, depending on the tax credits claimed in each fiscal year. MDT is unable to estimate the economic impact of potential film production projects and the amount of revenue generated by the projects. MDT estimates the fiscal impact to be (\$4,500,000) to Unknown per fiscal year.

Officials at the **Department of Revenue** assume this proposal does not fiscally impact them, but will reduce State Revenue.

Officials from the **Department of Insurance, Financial Institutions and Professional Registration (DIFP)** state an unknown reduction of premium tax revenues as a result of the extension of the film tax credit is possible. Premium tax revenue is split 50/50 between General Revenue and County Foreign Insurance Fund except for domestic Stock Property and Casualty Companies who pay premium tax to the County Stock Fund. The County Foreign Insurance Fund is later distributed to school districts throughout the state. County Stock Funds are later distributed to the school district and county treasurer of the county in which the principal office of the insurer is located. It is unknown how each of these funds may be impacted by tax credits each year.

ASSUMPTION (continued)

Oversight notes according to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Film tax credit program had the following activity;

	FY 2011	FY 2012	FY 2013
Certificates Issued (#)	5	2	0
Projects (#)	2	3	1
Amount Authorized	\$38,041	\$139,070	\$639,772
Amount Issued	\$1,807,030	\$139,070	\$0
Amount Redeemed	\$1,563,218	\$4,839,217	\$56,665

Oversight assumes the Film Tax Credit sunset on November 28, 2013. This proposal extends the sunset on the credit for another six years. Oversight will show the lost revenue to the state as \$0 (no credits issued) to the annual cap.

<u>FISCAL IMPACT - State Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
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GENERAL REVENUE

<u>Revenue Reduction</u> - extension of the Film Tax Credit sunset date	\$0 to <u>(\$4,500,000)</u>	\$0 to <u>(\$4,500,000)</u>	\$0 to <u>(\$4,500,000)</u>
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ESTIMATED NET EFFECT ON GENERAL REVENUE	\$0 to <u>(\$4,500,000)</u>	\$0 to <u>(\$4,500,000)</u>	\$0 to <u>(\$4,500,000)</u>
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Note: The fiscal note does not reflect the possibility that some of the tax credits could be utilized by insurance companies against insurance premium taxes. If this occurs, the loss in tax revenue would be split between the General Revenue Fund and the County Foreign Insurance Fund, which ultimately goes to local school districts.

<u>FISCAL IMPACT - Local Government</u>	FY 2015 (10 Mo.)	FY 2016	FY 2017
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses in the film industry may be positively impacted by this tax credit.

JH:LR:OD

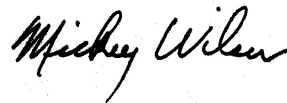
FISCAL DESCRIPTION

This bill extends the tax credit for qualified film projects for another six years.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Department of Insurance, Financial Institutions and Professional Registration
Department of Revenue
Office of Administration
Division of Budget and Planning



Mickey Wilson, CPA
Director
January 27, 2014

Ross Strobe
Assistant Director
January 27, 2014